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A Guide to

Idaho Income Tax Withholding



This guide was prepared by the Idaho State Tax Commission. It does not provide a comprehensive explanation of Idaho tax laws or rules. The law can be found in Title 63, Chapter 30 of the Idaho Code. Rules are located in Idaho Administrative Rule 35, Title 01, Chapter 01.

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Recent Changes

What's new in this revision of *A Guide to Idaho Income Tax Withholding*?

The latest changes include:

- ★ **New section on changing your filing cycle.** See page 10.
- ★ **Split-monthly withholding amount increases.** Starting July 1, 2005, the withholding amount requirement for the split-monthly filing cycle increases to \$240,000 in a 12-month period or more than \$20,000 per month. See page 11.
- ★ **Due date change for Annual Filers of Form 956.** Farmers must now file their Form 956 and pay the withheld taxes by January 31. See pages 5 and 11.
- ★ **Procedures for information returns with Idaho withholding clarified.** You must use Form 957-W to submit 1099s and other information returns with Idaho withholding to the Tax Commission. See pages 17 and 25.
- ★ **New section on W-2 Forms.** We've added tips to help you complete your W-2 forms. See page 21.
- ★ **Form 957-W revised.** We've added a checklist to Form 957-W to help you complete it. See page 24.
- ★ **Updated withholding tables.** We've updated the withholding tables for 2005. Although the tables are effective for 2005, you don't need to adjust the withholding for the months prior to receiving these tables. However, because the 2004 tables overwithhold, please use the updated tables as soon as possible.

Will I get a new withholding guide each year?

No. The Idaho personal income tax schedules are adjusted for inflation each year. The change is reflected in the income tax tables used to file individual income tax returns. The Tax Commission will revise this guide when the accumulated annual inflation adjustments cause a substantial change. We will place a notice on the Web site to inform you of the revision. When the withholding guide is revised, we will send it to each registered employer.

Idaho Employers and Idaho Employees

Who is an employer?

An employer is any person, business, or organization for which an individual performs any service as an employee. This includes religious, educational, charitable, and social organizations or societies, even if the organizations are exempt from paying income taxes.

Who is an employee?

Generally, an employee is any individual who performs services for you, when you have the right to control what will be done and how it will be done. This is true even when you choose not to exercise your control over the employee and allow the employee freedom of action. It is also true regardless of how payments are measured or paid or whether the employee works full-time or part-time.

Idaho Employers and Idaho Employees (continued)

If an employer/employee relationship exists, it does not matter what the relationship is called. Generally, if someone performs services for you, he is an employee unless he is in business for himself and offers the same service to others.

A corporate officer who works for the corporation is an employee.

What's the difference between an employee and an independent contractor?

There are many standards to determine whether an individual performing services for you is an employee or a contractor. Some of the common characteristics are:

Employee

- Works set hours
- An ongoing relationship
- Paid by hour, week, or month
- Reimbursed for business expenses
- Facilities and tools furnished by employer
- Works for one firm
- Must render services personally
- Regular reports are required
- Does not solicit for work
- Can be discharged
- Can quit
- No risk of loss or opportunity for profit

Independent Contractor

- Sets own hours
- Relationship lasts a limited time
- Paid by the job performed
- Responsible for incidental expenses
- Has own facilities and tools
- May work for several firms at once
- Can subcontract services to another
- Not required to account for actions
- Solicits for work through advertising
- Cannot be terminated except for breach of contract
- Must complete contract or be responsible for failure to do so
- Has risk of loss and opportunity for profits

For more information on how to determine whether someone providing services is an independent contractor or an employee, see IRS Publication 15, *Circular E, Employer's Tax Guide* and Publication 15-A, *Employer's Supplemental Tax Guide*.

What if I employ a family member?

If a family member, even your spouse or child, provides services for which he is paid, you must withhold Idaho income tax just as you would for a nonfamily member.

What if I employ someone to help me with housework or to care for a family member?

If you hire an employee to work in your home, the employee's wages are subject to Idaho income tax. You must have an Idaho withholding account and report the wages, but you are not required to withhold Idaho income tax from the employee's wages. As a domestic employer, you must issue W-2 forms to your employees and file Form 956 by the last day of January following the year of employment. You must also file Form 957-W and include copies of your employees' W-2 forms by the last day of February. If you hire

Idaho Employers and Idaho Employees (continued)

someone who has a business providing household help and he provides services to more than one client, he is not necessarily your employee.

What if I employ someone to help me on my farm or ranch?

If you hire an employee to help you in your agricultural business, you must withhold Idaho income tax from the employee's check if you are required to withhold for federal purposes and the employee earns \$1,000 or more during the calendar year. Use the withholding tables in this guide to determine how much to withhold.

If you have to file Employment Reports with Idaho Commerce and Labor, you are a quarterly filer with the Tax Commission. You must:

- Pay the income tax withheld by the last day of the month following the end of the calendar quarter (using electronic funds transfer, credit card, or Form 910).
- File Form 956 by the last day of January.
- File Form 957-W and include copies of employees' W-2 forms by the last day of February.

If you don't have to file Employment Reports with Idaho Commerce and Labor, you are an annual filer with the Tax Commission. You must:

- File Form 956 and pay the income tax withheld by the last day of January.
- File Form 957-W and include copies of employees' W-2 forms by the last day of February.

Income Subject to Withholding

When are wages subject to Idaho income tax?

When an employee earns income while working in Idaho, the income is subject to Idaho income tax. This is true even if the employee is not a resident of Idaho. It is also true if the employee is a family member. It also applies to people working in Idaho for only one day, including athletes and performers.

If a person who is not a citizen of the United States earns income while in Idaho, the income is subject to Idaho income tax withholding unless exempt from federal withholding.

Are statutory employees subject to Idaho income tax withholding?

If an employee qualifies as a statutory employee under federal law, Idaho income tax withholding is not required. For more information, see IRS Publication 15, *Circular E, Employer's Tax Guide* and Publication 15-A, *Employer's Supplemental Tax Guide*.

What income is subject to Idaho income tax withholding?

All wages, tips, and other compensation earned by employees or paid for services performed in Idaho are subject to Idaho income tax withholding. The pay may be in cash or in another form. It includes salaries, vacation allowances, bonuses, commissions, and fringe benefits. It does not matter how you measure the compensation or make the payment. Generally, if the Idaho compensation is subject to federal income tax, it is also subject to Idaho income tax.

Income Subject to Withholding (continued)

Compensation paid to a former employee for services performed while still employed in Idaho is subject to Idaho income tax withholding. For example: If an employee is granted stock options and those options vest while he is performing services in Idaho, the compensation or gain when he exercises his options are subject to Idaho income tax withholding, even if the employee is no longer living or working in Idaho.

- **Employee business expense reimbursements.** Reimbursements or allowances paid to an employee under an accountable plan are not subject to Idaho income tax withholding. Reimbursements or allowances paid under a nonaccountable plan are subject to Idaho income tax withholding. For definitions of accountable and nonaccountable plans, see IRS Publication 15, *Circular E, Employer's Tax Guide*.
- **Wages not paid in money.** If you pay an employee in something other than cash or a readily negotiable instrument, you are said to pay them "in kind." Payments in kind may be in the form of goods, lodging, food, clothing, services, or personal use of a company vehicle. Generally, Idaho income tax withholding applies to the fair market value of such payments when they are made for services provided in Idaho. If the food or lodging is for the convenience of the employer and qualifies for an exclusion from wages under federal law, it is not subject to Idaho income tax withholding.
- **Supplemental wages.** Idaho income tax applies to bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay, and other similar payments if earned while working in Idaho. Withholding on supplemental wages may be computed by either combining the supplemental payment with regular wages and treating them as a single payment or by multiplying the supplemental payment by 7.8 percent.
- **Employee benefits.** Benefits that are taxable under the Internal Revenue Code are subject to Idaho income tax withholding, if they were earned for services provided in Idaho, regardless of when the benefit is received. Tax-deferred benefits such as 401(k) plans and cafeteria plans that are tax deferred by the Internal Revenue Code are also tax deferred for Idaho and not subject to income tax withholding.
- **Stock options.** The granting of stock options is considered to be compensation for services whether treated for federal income tax purposes as compensation or capital gain income. This income is subject to Idaho income tax withholding if the employee performed services in Idaho between the time the option was granted and the time the option vested. For more detailed information see Idaho Income Tax Administrative Rule 271.
- **Tips.** Tips an employee receives for work done in Idaho are subject to Idaho income tax withholding. Report as Idaho income the same tip amount you reported as federal income. See IRS Publication 531, *Reporting Tip Income*.

Are there exceptions to the withholding requirement?

- An Idaho employer is always required to have an account and report payroll. However, withholding is not required if:
 - The employee is not a resident of Idaho and earns less than \$1,000 in Idaho in a calendar year.
 - An agricultural laborer earns less than \$1,000 in a calendar year.
 - An employee is exempt from federal withholding.
 - The employee is a Native American who is an enrolled member of a federally recognized tribe, earns the income on a reservation, and lives on a reservation.

Income Subject to Withholding (continued)

- An employee gives you a Form W-4 stating he is exempt from withholding as he had no income tax liability in the previous year and expects to have no income tax liability for the current year. The exemption is only good for the current year. The employee must give you a new W-4 each year. You must have a withholding account and issue the employee a W-2 form. See *Am I required to send W-4 forms to the Tax Commission?* on page 16.
- **Motor carriers.** If you are an interstate motor carrier or motor private carrier and your employee has regularly assigned duties in more than one state, you only have to withhold income tax for the employee's state of residence. In general, a motor carrier provides motor vehicle transportation for compensation to the public or under a contract. A motor private carrier transports property it owns or leases by motor vehicle, and transports the property for sale, lease, rent, or to further a commercial enterprise. See Title 49, Sections 10102 and 14503, United States Code to determine if the employee qualifies.
- **Air carriers.** If your employee has regularly assigned duties on aircraft in more than one state, you must withhold income tax for his state of residence and the state in which he earns more than 50 percent of his wages. The percent of wages earned in a state is based on scheduled flight time in the state compared to total scheduled flight time for the year. See Title 49, Section 40116(f), United States Code to determine if the employee qualifies.
- **Railroad carriers.** If you are an interstate rail carrier and your employee has regularly assigned duties in more than one state, you only have to withhold income tax for the employee's state of residence. See Title 49, Section 11502, United States Code to determine if the employee qualifies.
- **Water carriers.** If your employee is a master or seaman who works on a vessel engaged in foreign, intercoastal, interstate, or noncontiguous trade, do not withhold any state income tax. See Title 46, Section 11108, United States Code to determine if the employee qualifies.

Do I have to withhold Idaho income tax from an IRA, pension, or other similar payment?

The income from an IRA, pension, or other similar payment is subject to Idaho income tax, but the payer is not required to withhold Idaho income tax from retirement payments. The recipient may either pay the tax as a voluntary estimated payment or as a tax payment with his individual income tax return on or before April 15. If the payer of the retirement funds wants to withhold Idaho income tax from the payments as a convenience to its payees, it must apply for an Idaho withholding account and pay the amounts withheld the same way a regular employer does. The payer must submit the 1099-Rs showing Idaho withholding by the last day of February. See *Who must file Form 957-W?* on page 25.

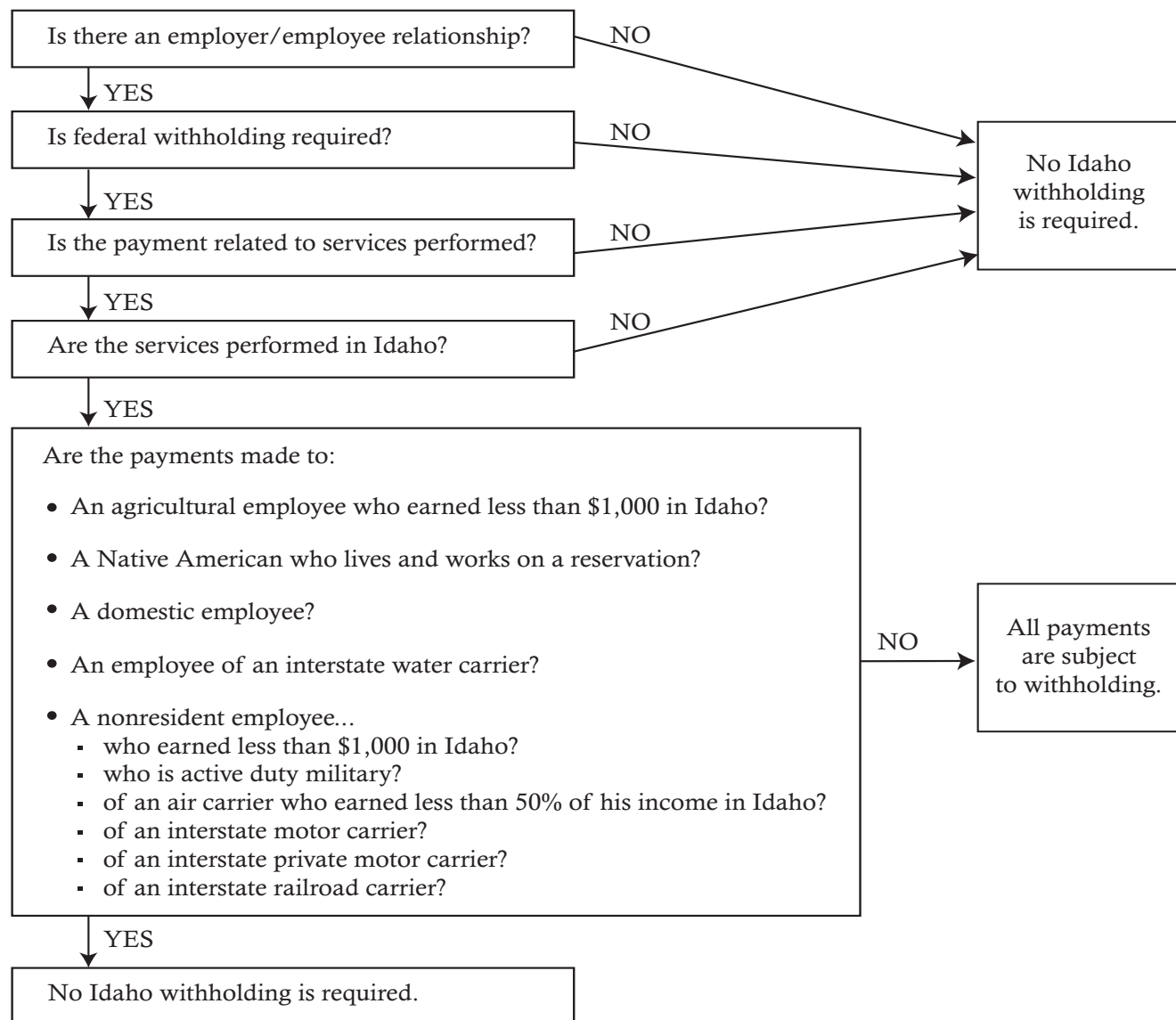
Does Idaho income tax withholding apply to active duty military wages?

Federal law prevents a state from taxing the active duty pay of military personnel, unless the military person is domiciled in that state. Therefore, the military wages of a person stationed in Idaho are not subject to Idaho income tax unless Idaho is the person's domicile. Wages paid by the military to a person not on active duty are subject to Idaho income tax withholding if earned in Idaho. Idaho allows a person domiciled in the state to deduct his active duty pay earned outside Idaho if his full-time active duty is for 120 consecutive days or more. Therefore, it is not necessary to withhold Idaho income tax for military personnel who are domiciled in Idaho, but are stationed outside Idaho.

Income Subject to Withholding (continued)

Should I withhold Idaho income tax?

The following flow chart can help you decide if you need to withhold Idaho income tax.



Withholding Account

Do I need an Idaho withholding account?

Generally, if you have an employee earning income while in Idaho, you must have an Idaho withholding account. This applies to all employees including agricultural, household help, and family members. If you choose to voluntarily withhold Idaho income tax for an Idaho resident working outside of Idaho, you must have an Idaho withholding account.

How do I get an Idaho withholding account number?

You must have a federal Employer Identification Number (EIN) before you apply for an Idaho withholding account. You can get an EIN by using the Internal Revenue Service Web site at **www.irs.gov**. You can also apply for an EIN by completing a Form SS-4 and calling (800) 829-4933, faxing the form to (215) 516-3990, or mailing it to: IRS Service Center, Attention: EIN Operations, Philadelphia, PA 19255. You can get a Form SS-4 on the IRS Web site or at your local IRS office.

You can apply for an Idaho withholding account online at **business.idaho.gov** or complete the Idaho Business Registration form (available online at **tax.idaho.gov/forms_permits.htm**) and submit it to the Tax Commission. You can use the same online registration and Idaho Business Registration form to apply for your unemployment insurance account from Idaho Commerce and Labor and to provide needed information to the Idaho Industrial Commission. The Idaho Business Registration form is also available from the following agencies:

- Tax Commission: (800) 972-7660 toll free or 334-7660 in the Boise area
- Commerce and Labor: (800) 448-2977 toll free or 334-3576 in the Boise area
- Industrial Commission: (800) 950-2110 toll free or 334-6000 in the Boise area

Within two weeks after submitting your application, you will receive a withholding account number and you will be notified of your account filing cycle, which determines how often you must file and pay the income tax you withheld. (See page 11.) You will then begin receiving the necessary forms.

What if I don't register for a withholding account?

If you have employees or withhold Idaho income tax and don't register for a withholding account, you may be charged a penalty of \$100 per month until you register.

What if I make changes to my business?

You must apply for a new withholding account if you change your business entity (for example, incorporating your sole proprietorship), acquire a business, or get a new federal EIN.

Is my withholding account transferable?

No. If you are a new owner of an existing business, do not use a return that has been issued to the former business entity. You must apply for a new withholding account.

Withholding Account (continued)

How do I change my account filing cycle?

Withholding account filing cycles are effective for a full calendar year. The Tax Commission will change your filing cycle at the end of the year if your withholding amounts require a change or if the Tax Commission approves your request for a change. You must send your request for a filing cycle change by December 31. See *Where do I send my request for an account change?* in this section.

How do I change the address on my account or cancel my account?

To change your mailing address or cancel your account:

- Mark the appropriate box (“Mailing address change” or “Cancel account”) on the Form 910 or Form 956. If you’re changing the address, draw a line through the address on the form, and write in your new address, or
- Send us written notice that you want to change your account. If you’re changing the address, include your name, account number, old address, and new address. If you’re cancelling the account, include your name, account number, and the date you want the account to be cancelled. See *Where do I send my request for an account change?* in this section.

Where do I send my request for an account change?

Send your request to change your filing cycle, change your address, or cancel your account to:

- Mail: Attn: Account Registration & Maintenance
Idaho State Tax Commission
PO Box 36, Boise ID 83722-3220
- Fax: (208) 334-5364
- E-mail: processing@tax.idaho.gov

How Much to Withhold

How do I determine how much Idaho income tax to withhold?

You must have a federal Form W-4, Employees Withholding Allowance Certificate, on file for each employee. Since Idaho does not have a separate Form W-4, Idaho income tax withholding is based on the federal Form W-4. However, an employee can ask you to withhold more Idaho income tax by claiming fewer dependents for Idaho purposes. The employee can add this information at the bottom of the federal Form W-4 he gives you. He cannot request less Idaho income tax withheld by listing more dependents. Idaho has three approved methods for computing withholding:

- Percentage Computation Method. See page 26.
- Wage Bracket Method. See page 27.
- Annualized Wage Method. See page 27.

How Much to Withhold (continued)

The income tax withholding amounts in the withholding tables are rounded to the nearest whole dollar. If you use the percentage or annualized wage method of withholding, round the tax to the nearest whole dollar.

Generally, the percentage computation is the best method to use in programming the withholding tables for your computer. For help with payroll software, contact the company that sold you the software.

When to File and Pay the Withholding

What are the payment requirements?

If your account filing cycle is monthly, split-monthly, or quarterly, you must pay the withheld Idaho income taxes by electronic funds transfer, credit card, or with a Form 910, Idaho Withholding Payment Voucher. If your account is annual, you must pay with the Form 956. If you did not withhold income taxes, you must file a "zero" payment. Remember, taxes are reported and paid based on when the wages are paid, not earned.

How often do I need to pay the income tax I have withheld or file a "zero" payment?

Monthly Filers. Most employers pay monthly unless they qualify for another filing cycle. They pay withholding on or before the 20th of the month following the payment period. (See the *Payments Due Date Table* on the next page.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Split-Monthly Filers. Starting July 1, 2005, employers whose withholding equals or exceeds \$240,000 in a 12-month period or exceeds \$20,000 per month (through June 30, 2005, equals or exceeds \$72,000 in a 12-month period or exceeds \$6,000 per month) must pay the income tax withheld based on a reporting period that begins on the 16th of the month and ends on the 15th of the next month. Payment is due on or before the 20th of that same month. (See the *Payments Due Date Table* on the next page.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Quarterly Filers. Employers who withhold less than \$600 each quarter and farmers who are required to file with Idaho Commerce and Labor pay the withholding on the last day of the month following the end of the quarter. (See the *Payments Due Date Table* on the next page.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Annual Filers. Farmers who are not required to file with Idaho Commerce and Labor must use Form 956 to report their employees' taxable wages and pay the taxes withheld annually. The return and payment are due by January 31. (See the *Payments Due Date Table* on the next page.)

When to File and Pay the Withholding (continued)

PAYMENTS DUE DATE TABLE						
MONTHLY	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE
	1/1 - 1/31	2/20	2/1 - 2/28	3/20	3/1 - 3/31	4/20
	4/1 - 4/30	5/20	5/1 - 5/31	6/20	6/1 - 6/30	7/20
	7/1 - 7/31	8/20	8/1 - 8/31	9/20	9/1 - 9/30	10/20
	10/1 - 10/31	11/20	11/1 - 11/30	12/20	12/1 - 12/31	1/20
SPLIT-MONTHLY	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE
	1/16 - 2/15	2/20	2/16 - 3/15	3/20	3/16 - 4/15	4/20
	4/16 - 5/15	5/20	5/16 - 6/15	6/20	6/16 - 7/15	7/20
	7/16 - 8/15	8/20	8/16 - 9/15	9/20	9/16 - 10/15	10/20
	10/16 - 11/15	11/20	11/16 - 12/15	12/20	12/16 - 1/15	1/20
QUARTERLY	PAYMENT PERIOD	DUE DATE				
	1/1 - 3/31	4/30				
	4/1 - 6/30	7/31				
	7/1 - 9/30	10/31				
	10/1 - 12/31	1/31				
ANNUAL	PAYMENT PERIOD	DUE DATE				
	1/1 - 12/31	1/31				

Note: If the due date falls on a weekend or holiday, the payment is due on the next business day.

How do I determine my correct withholding tax period for electronic funds transfer (EFT), credit card, or Form 910 payments?

Use the charts on the opposite page to determine your withholding tax period for payments based on your filing cycle.

What kind of withholding payment records should I keep?

You must track your taxable wages, Idaho income tax withheld, amount paid, date paid, and penalty and interest included with payments. Use the Record of Idaho Withholding Payments to help you track your withholding information. You can get it on our Web site or by calling any Tax Commission office.

What are my filing requirements?

You must use Form 956 to report your employees' taxable wages and reconcile your payments annually with the actual amount of tax withheld. The total tax withheld as reported on Form 956 must match the total withheld as reported on your employees' W-2 forms. You must use Form 957-W to submit the state copy of the federal Forms W-2 plus any Form 1099s with Idaho income tax withholding.

How do I get reporting forms?

Once you are registered with the Tax Commission, we will send you preprinted forms. If you pay and file electronically, you don't need to send us a paper form. If you don't have a preprinted form to file, do not use photocopies from a previous period or from a different employer. If you don't have a preprinted form when you need to file, you can:

- Pay and file online for free through our Electronic Filing Web page at tax.idaho.gov.
- Call any Tax Commission office to request a form.

Note: Because withholding forms are personalized, they are not available on the Tax Commission's Web site.

When to File and Pay the Withholding (continued)

MONTHLY TAX PERIOD CHART

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 1 - January 31	01	1/31	Jan
February 1 - February 28	02	2/28	Feb
March 1 - March 31	03	3/31	Mar
April 1 - April 30	04	4/30	Apr
May 1 - May 31	05	5/31	May
June 1 - June 30	06	6/30	Jun
July 1 - July 31	07	7/31	Jul
August 1 - August 31	08	8/31	Aug
September 1 - September 30	09	9/30	Sep
October 1 - October 31	10	10/31	Oct
November 1 - November 30	11	11/30	Nov
December 1 - December 31	12	12/31	Dec

SPLIT-MONTHLY TAX PERIOD CHART

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 16 - February 15	01	2/15	Jan
February 16 - March 15	02	3/15	Feb
March 16 - April 15	03	4/15	Mar
April 16 - May 15	04	5/15	Apr
May 16 - June 15	05	6/15	May
June 16 - July 15	06	7/15	Jun
July 16 - August 15	07	8/15	Jul
August 16 - September 15	08	9/15	Aug
September 16 - October 15	09	10/15	Sep
October 16 - November 15	10	11/15	Oct
November 16 - December 15	11	12/15	Nov
December 16 - January 15	12	1/15	Dec

QUARTERLY TAX PERIOD CHART

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 1 - March 31	03	3/31	Mar
April 1 - June 30	06	6/30	Jun
July 1 - September 30	09	9/30	Sep
October 1 - December 31	12	12/31	Dec

When to File and Pay the Withholding (continued)

Can I have forms sent to my accountant?

When you register for a withholding account, you can include an alternate address and contact person. If you have already completed your application, you may send a letter asking the Tax Commission to mail your reporting forms to an alternate address. Be sure to include your account number. If you want us to speak with your accountant about your account, we must have a current power of attorney. To get a power of attorney form, visit our Web site at tax.idaho.gov/forms_misc.htm.

When are my returns due?

The Form 956 is due January 31 for all filing cycles. The Form 957-W is due the last day of February for all filing cycles.

If I close my business during the year, can I file Forms 956 and 957-W early?

Yes. If you cancel your account, you can ask the Tax Commission to send you preprinted Forms 956 and 957-W. You can then complete the forms and mail them to the Tax Commission. If you don't ask for the forms, you will receive them at the end of the year. If you had an active Idaho withholding account for any part of the year or withheld Idaho income taxes during the year, you must file both Forms 956 and 957-W.

Making Payments

Can I pay the withheld taxes by electronic funds transfer (EFT)?

Yes. You can make an electronic funds transfer of money from one bank to another through either ACH Debit or ACH Credit. Whenever the amount due is \$100,000 or greater, the law requires you to use EFT. When you use ACH Debit, you authorize how much and when the state can take money from your bank account to pay the withheld taxes. When you use ACH Credit, you tell your bank how much and when to send money to the state to pay the withholding. ACH Debit is *free*. ACH Credit fees vary, depending on your bank.

You must register before you can use ACH Debit or Credit. To get an authorization form, visit our Web site at tax.idaho.gov/forms_misc.htm or call (800) 972-7660.

Please do not file a Form 910 when paying by EFT.

Can I pay with a credit card?

Yes. You can use a credit card to make payments under \$100,000 to the state of Idaho. You can pay through our Web site at tax.idaho.gov (click on the Electronic Payments button), or by calling 334-7660 in the Boise area or (800) 972-7660 toll free. You can also pay by sending us a Form CCV, credit card payment voucher, which you can get online at tax.idaho.gov/forms_misc.htm. Mail the completed form to: Idaho State Tax Commission, PO Box 83784, Boise ID 83707-3784.

We accept Discover, MasterCard, and Visa for online credit card payments and payments using a Form CCV. We accept MasterCard and Visa for payments made by telephone.

Please do not file a Form 910 when paying by credit card.

Making Payments (continued)

Can I pay with a check or money order?

Yes. Make your check or money order payable to the Idaho State Tax Commission. Mail your payment with your Form 910 (Form 956 for annual filers) to: Idaho State Tax Commission, PO Box 76, Boise, ID 83707-0076. The envelope must be postmarked on or before the due date.

If I don't withhold any income tax for a reporting period, do I need to report it?

Yes. You can file "zero" payments:

- Through the withholding Web filing system. File your "zero" payment through our Web site at **tax.idaho.gov** (click on the Electronic Filing button).
- By electronic funds transfer (EFT). "Zero" payments are allowed through the EFT system.
- By using a Form 910 payment voucher and entering a "0" in the "Payment Amount" box. Mail it to: Idaho State Tax Commission, PO Box 76, Boise, ID 83707-0076.

What happens if I pay late?

If a payment for a period is late, or if the tax withheld is more than the amount paid, you owe penalty and interest.

Penalty

If you do not file your withholding payment on or before the due date, you owe a penalty of 5% (.05) of the tax due for each month that goes by until the payment is made.

If you made a payment on time, but underpaid the tax, the tax due is subject to a penalty of one-half percent (0.5% or .005) of the tax due for each month that goes by until the payment is made.

The minimum penalty is \$10. The maximum penalty is 25% (.25) of the tax due.

- Example 1: An income tax withholding payment of \$200 was due on May 20. The tax payment was mailed on Sept. 10 and is four months late. Therefore, the penalty is 20% (4 months x 5%), or \$40 (\$200 x 20%).
- Example 2: An income tax withholding payment of \$200 was due and paid on May 20. The amount actually withheld was \$3,200. This created an underpayment. The balance of \$3,000 was paid on Sept. 1, four months late. The penalty is 2% (4 months x .5%), or \$60 (\$3,000 x 2%).

Interest

Interest accrues on the unpaid tax from the due date for each month until the date paid. To calculate interest:

- 1) Multiply the tax due amount by the daily interest rate.*
- 2) Multiply the result by the number of days late.

To get the daily interest rate, go to FAQ GM-10 on our Web site at **tax.idaho.gov (click on FAQs, then click on General & Miscellaneous).*

Filing Returns

Can I file my returns online?

You can prepare and file your Form 956 and make payments online using the Tax Commission's Electronic Filing Web page at **tax.idaho.gov**. You cannot file your Form 957-W online. You must attach your W-2s and any 1099s with Idaho withholding to the 957-W.

What happens if I file late?

Form 956

Penalty and interest are charged on the amount of tax due for each period from the due date until paid.

Form 957-W

A penalty of \$2 per W-2 per month may be applied if your W-2 forms are not submitted by the last day of February. The minimum penalty is \$10; the maximum penalty is \$2,000.

W-4 Forms

Am I required to send W-4 forms to the Tax Commission?

No. But you should send a copy of the W-4 form of any employee you suspect is claiming the wrong number of allowances. Mail the W-4 to:

TDB/Withholding
Idaho State Tax Commission
PO Box 36
Boise, ID 83722-0410

Information Returns

What are information returns?

Information returns are tax statements used to report certain types of payments and activities made by financial institutions and others as required by the Internal Revenue Service.

You must file the following Forms 1099 and other information returns with the Tax Commission by the last day of February.

- Form 1099-MISC, Miscellaneous Income, if it was issued for transactions related to property located or used in Idaho or for services performed in Idaho.
- Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., if Idaho income tax was withheld.
- Form 1099-S, Proceeds from Real Estate Transactions, if it was issued for transactions related to property located in Idaho.

Information Returns (continued)

- Form 1099-A, Acquisition or Abandonment of Secured Property, if the property was located in Idaho.
- Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, if the property was located in Idaho or if the service was performed in Idaho.
- Form 1099-C, Cancellation of Debt, if the secured property was located in Idaho.
- Form 1098, Mortgage Interest Statement, if the property was located in Idaho.
- Form W-2G, Certain Gambling Winnings, if the gambling took place in Idaho.

How do I send the information returns to the Tax Commission?

If you withheld Idaho income tax from the payments, attach the information returns to Form 957-W and send them to the Tax Commission. For more information, see *Do I have to withhold Idaho income tax from an IRA, pension, or other similar payment?* on page 7 and *Who must file Form 957-W?* on page 25.

If you did not withhold Idaho income tax from the payments, attach the information returns (except 1099Rs) to Idaho Form 96 or a copy of federal Form 1096 and mail to: Idaho State Tax Commission, PO Box 36, Boise ID 83722-0410.

Record Keeping

What records must I keep, and for how long?

You must keep your payroll records for at least four years. They should include:

- Name, address, and Social Security number of each employee
- Dates of employment
- Dates and amount of all wage payments and taxes withheld
- Hours and location of work
- A Form W-4 for each employee
- Cancelled payroll checks
- Copies of all Forms W-2 and Forms 1099
- Federal Form I-9, Employment Eligibility Verification

Other Questions

What if I employ someone who doesn't live in Idaho?

If a person is working in Idaho, you must report the wages to Idaho. Because the wages are earned in Idaho, they are subject to Idaho income tax. You do not have to withhold Idaho income tax unless the person will earn \$1,000 or more in Idaho during the year. All wages earned in Idaho must be reported on the W-2 form as Idaho wages, even if tax was not withheld.

What if I send my Idaho employee to another state to work?

You are required to withhold income tax for the state in which the employee is working. If the state where he is working does not have an income tax, the employee may want to have you withhold Idaho income tax. As a resident of Idaho, his income will be taxable in Idaho.

If I'm self-employed, how do I know how much money to set aside to pay my income tax?

If you are self-employed or receive a pension payment, the tables starting on page 29 will help you decide how much to set aside to pay your income tax. Determine the taxable income you receive each month, then use the monthly table to decide how much tax you will owe. Idaho does not require estimated tax payments from individuals; however, you can file a voluntary estimated tax payment using Form 51.

What if an employee's payroll check goes unclaimed or uncashed?

The Unclaimed Property Act requires you to try to locate the owner of any money you hold. If you can't locate the owner within a year, you must file an unclaimed property holder report and turn the money over to the Unclaimed Property Section of the Tax Commission for safekeeping. Please call (208) 334-7623 for more information or visit our Web site's Unclaimed Property section at tax.idaho.gov.

Other Important Agencies for Employers

Where can I get more information about being an Idaho employer?

Internal Revenue Service

Federal Tax Withholding, FUTA, FICA, IRS Publication 15, *Circular E, Employer's Tax Guide*

www.irs.gov

Boise office: 550 W. Fort St., Boise ID 83724

(800) TAX-1040 toll free

Idaho Commerce and Labor

cl.idaho.gov

Boise office: 317 W. Main St., Boise ID 83735

(800) 448-2977 toll free or 332-3576 in the Boise area (Employer Services)

(208) 332-3579 (Wage payment labor law issues)

(208) 332-3570 (Unemployment Insurance, Job Service)

Idaho Industrial Commission

State Workers Compensation Law, Industrial Accident Insurance

www2.state.id.us/iic

Boise office: 317 W. Main St., Boise ID 83702

(208) 334-6000

Bureau of Citizenship & Immigration Security (BCIS)

(Under Homeland Security Dept.) Employment Eligibility Verification

www.uscis.gov

Boise office: 1185 S. Vinnell Way, Boise ID 83709

(800) 375-5283 toll free or 685-6600 in the Boise area

Idaho Secretary of State

Business DBAs, Articles of Incorporation, UCC

www.idsos.state.id.us

Boise office: 700 W. Jefferson, Basement - West Wing, Boise ID 83720

(208) 334-2304

Small Business Administration

General information for businesses and employers

business.idaho.gov

Form 910

<small>R0910S 2/10/2004</small>		
FORM 910 IDAHO WITHHOLDING PAYMENT VOUCHER		
ACCOUNT NO. 002566412	FROM 01/01/2005	TO 01/31/2005
TAX DUE ON OR BEFORE 2/20/2005		
<input type="checkbox"/> Mailing Address Change <input type="checkbox"/> Cancel Account		
Mail to: State Tax Commission, PO Box 76, Boise, Idaho 83707-0076		
JOHN Q TAXPAYER PO BOX 36 BOISE ID 83722-0036		
In the box below, enter the amount of Idaho income tax withheld from your employees' paychecks for the period shown on this voucher. You must file this form even if no tax is withheld for this period.		
Payment Amount		<div style="border: 1px solid black; width: 150px; height: 30px; display: flex; align-items: center; justify-content: center;">00</div>
<small>I do hereby swear or affirm that this information is true and correct to the best of my knowledge.</small>		
<small>Authorized Signature</small>	<small>Date</small>	
290500056 002566412 JOHN 09 0105 M 95 7		

Example of Form 910

What is Form 910 used for?

Use Form 910, Idaho Withholding Payment Voucher, to make check or money order payments on a monthly, split-monthly, or quarterly basis, or to make a voluntary, early payment by check or money order. You can also use Form 910 to report that you withheld no taxes for a payment period. If you make payments or report "zero" withholding by electronic funds transfer or credit card, you don't need to send in a Form 910. (See *Payments Due Date Table* on page 12.)

Why can't I enter amounts with cents on Form 910?

Idaho's administrative rules require you to use whole numbers for all withholding returns. Round your payment amounts and report the rounded dollar amount on Form 910. Reduce amounts ending with less than 50 cents to the lower whole dollar. Increase amounts ending with 50 cents or more to the next whole dollar.

Form W-2

How do I complete a W-2 form?

See the following W-2 example for tips on completing the state portion of your W-2 form.

Your EIN issued by the IRS.

a Control number		22222		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial Last name		11 Nonqualified plans		12a	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
		14 Other		12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form **W-2** Wage and Tax Statement
Copy 1—For State, City, or Local Tax Department

2005

Department of the Treasury—Internal Revenue Service

The two letter state abbreviation.

The 9-digit account number issued by the Idaho State Tax Commission.

The amount of Idaho withholding related to wages in Box 16.

The amount of wages from Box 1 that were earned in Idaho.

Box b - Employer identification number (EIN). Show the EIN assigned to you by the IRS. This should be the same number that you used on your federal employment tax returns and that is listed on the Idaho Form 957-W. (Example: XX-XXXXXXX)

Box 15 - State. Enter the state where the wages were earned. (Example: ID for Idaho)

Box 15 - Employer's state ID number. For Idaho, this is the 9-digit account number issued by the Idaho State Tax Commission. (Example: 00XXXXXXX)

Box 16 - State wages, tips, etc. Enter the amount of wages from Box 1 that were earned in the state listed in Box 15. You must separately state wages earned in multiple states.

Box 17 - State income tax. Enter the amount of state withholding related to wages entered in Box 16.

How do I correct a W-2 form?

If you issued an incorrect W-2, you must issue the employee a corrected W-2 using federal Form W-2C, and send copies to all required government agencies.

Form 956

2005 IDAHO WITHHOLDING RECONCILIATION WORKSHEET for 002563420

Section I. SUMMARY BY PERIOD

Keep this summary for your records.

Month	Due Date	Date Paid	TAX WITHHELD	AMOUNT PAID*	DIFFERENCE Tax Withheld - Amount Paid	PENALTY		INTEREST	
						Paid	Due	Paid	Due
January	2/21								
February	3/21								
March	4/20								
April	5/20								
May	6/20								
June	7/20								
July	8/22								
August	9/20								
September	10/20								
October	11/21								
November	12/20								
December	1/20/2006								
			Total Tax Withheld Section II, Line 1 of worksheet	Total Amount Paid Section III, Line 1 of worksheet	Total Difference		Total Penalty Due Form 956 Line 17		Total Interest Due Form 956 Line 18

* A payment dated in January will usually be for the prior calendar year. Include payments for the correct calendar year only.

Section II. TAX WITHHELD

- Total Tax Withheld from above or from your record of Idaho withholding payments.
- Total Idaho Withholding from "State Income Tax" box on the Forms W-2 and/or 1099. Enter result on Form 956, line 14.
NOTE: If the total tax withheld (line 1) is the same as the total Idaho withholding from W-2 and/or 1099 forms (line 2) enter the total on Form 956, line 14 and proceed to Section III. If the amounts on lines 1 and 2 are different, review your records to identify the difference and make corrections. If you issued your employees incorrect W-2s, you must issue corrected W-2s (federal Form W-2C).

Section III. PAYMENTS

- Total withholding paid to the Tax Commission from Amount Paid column above or your record of Idaho withholding payments.
- Add any withholding payments not included in the Amount Paid column above or your record of Idaho withholding payments.
- Subtract the total paid penalty and interest included in the payment amounts listed in the Amount Paid column.
- Subtract any refunds received from tax periods within this calendar year.
- Add any credits applied from a prior tax period.
- Total the amounts from lines 1, 2, 3, 4, and 5. Enter result on Form 956, Line 15.

Section IV. UNDERPAID/OVERPAID (Overpayments of more than \$1 will be refunded)

- Subtract Payments (Section III, line 6) from Tax Withheld (Section II, line 2). Enter result on Form 956, line 16.

Detach Form 956 and send to the Tax Commission.

956 IDAHO WITHHOLDING RECONCILIATION MONTHLY FILER

ACCOUNT NO. 002563420 TAX YEAR 2005 TAX DUE ON OR BEFORE 1/31/2006

- ☐ Mailing address change ☐ Cancel account

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

MAIL TO: IDAHO STATE TAX COMMISSION PO BOX 76 BOISE ID 83707-0076

I hereby swear or affirm that this information is true and correct to the best of my knowledge.

☐ Authorized Signature ☐ Date

1. Total taxable wages • RL956M 4/30/2004

Amount Withheld		Amount Withheld	
2. January	00	8. July	00
3. February	00	9. August	00
4. March	00	10. September	00
5. April	00	11. October	00
6. May	00	12. November	00
7. June	00	13. December	00
14. Total tax withheld. (Add lines 2 through 13.)			00
15. Payments made. (Section III, Line 6 from worksheet.)			00
16. Underpaid/overpaid. (Section IV, Line 1 from worksheet.)			00
17. Penalty. (Section I, Penalty Due from worksheet.)			00
18. Interest. (Section I, Interest Due from worksheet.)			00
19. Total tax due. (Add lines 16 through 18.)			00

290500056 002563420 JOHN Q 1205 M 56 7

Example of Form 956

Form 956 (continued)

What is Form 956 used for?

Use Form 956, Idaho Withholding Reconciliation, to report the total taxable wages and reconcile the total amount of Idaho taxes you withheld from employees during the calendar year to the amount you paid to the Tax Commission for the same calendar year. Complete Form 956 after you have reconciled your income tax withholding (see *How do I reconcile my income tax withholding?* below).

Who must file Form 956?

If you had an active Idaho withholding account for any part of the year or withheld Idaho income taxes during the year, you must file Form 956. This is true even if you did not withhold income tax from employee wages or if you cancelled your account during the year.

What records and forms do I need to complete the reconciliation process?

The following records and forms will help you reconcile your Idaho income tax withholding:

- Payroll records
- Idaho withholding payment records or the Record of Idaho Withholding Payments
- Completed Forms W-2 and any Forms 1099 with Idaho withholding
- Idaho Withholding Reconciliation Worksheet (mailed to you in December)
- Form 956, Idaho Withholding Reconciliation

How do I reconcile my income tax withholding?

At the end of the year, you will receive Form 956 and a reconciliation worksheet. The worksheet is designed to walk you through the reconciliation process to make sure the following balance:

- The amount of Idaho income tax withheld from employee wages
- The amount of Idaho income tax paid to the Tax Commission throughout the year
- The amount of Idaho withholding reported on wage and tax statements (W-2 forms) and 1099s

Why can't I enter amounts with cents on Form 956?

Idaho's administrative rules require you to use whole numbers for all withholding returns. Reduce amounts ending with less than 50 cents to the lower whole dollar. Increase amounts ending with 50 cents or more to the next whole dollar.

Do I need to sign Form 956?

Yes. You must sign Form 956.

Form 957-W

Staple W-2s &
1099s here

957-W IDAHO TRANSMITTAL - WAGE AND TAX STATEMENTS

RL957W
4/07/2005

ACCOUNT NO.
002563420

TAX YEAR
2005

W-2s & 1099s DUE ON OR BEFORE
2/28/2006

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

290500056 002563420 JOHN Q 1205 M 57 7

W-2 box "b"
-EIN

W-2 box "15" –
Employer's state
ID number
(Account number)

Transmittal Checklist

- ☐ Gather completed forms:
 - W-2s
 - 1099s with Idaho withholding
(Refer to *A Guide to Idaho Income Tax Withholding* if you have 1099s without Idaho withholding.)
- ☐ Put W-2s and 1099s in order by SSN or last name.
- ☐ Verify that the EIN and state ID numbers (Tax Commission withholding account number) on each W-2 and 1099 match this transmittal form.
 - If they do not match, make changes or call the Tax Commission for help at 334-7660 in the Boise area or 800-972-7660 toll free.
- ☐ Complete lines 1-4 below and sign and date this transmittal form. **Do not separate the lower portion.**
- ☐ Staple the following documents to the upper left corner of this form:
 - W-2s
 - 1099s with Idaho withholding
- ☐ Mail this full page with W-2s and 1099s, to:
Idaho State Tax Commission
PO Box 76
Boise, ID 83707-0076

Do not separate – you must return this full page.

2005

W-2s & 1099s DUE ON OR BEFORE
2/28/2006

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

I hereby swear or affirm that this information is true and correct to the best of my knowledge.

•

Authorized Signature	Date
----------------------	------

1. Total number of W-2s for the year.•

2. Total number of 1099s with Idaho withholding for the year.•

3. W-2s & 1099s sent via magnetic media. Yes • ☐ No • ☐

4. Penalty. (Add after due date.) Multiply number of W-2s/1099s by \$2.00 per month (or part of a month) they are late.•

290500056 002563420 JOHN Q 1205 M 57 7

Example of Form 957-W

Form 957-W (continued)

What is Form 957-W used for?

Use Form 957-W, Idaho Transmittal of Wage and Tax Statements, to submit the state copy of the federal Forms W-2 and any Forms 1099 with Idaho income tax withholding to the Tax Commission.

Report the number of Forms W-2 and 1099 with Idaho withholding attached to the Form 957-W.

Who must file Form 957-W?

If you had an active Idaho withholding account for any part of the year or withheld Idaho income taxes during the year, you must file Form 957-W with your Forms W-2, Forms 1099, and magnetic media. You must file a return even if you had no withholding or issued no W-2s or 1099s for the year.

Do I need to sign Form 957-W?

Yes. You must sign Form 957-W.

Who is required to file using magnetic media?

Idaho requires magnetic filing of Forms W-2 for employers who meet the Internal Revenue Service (IRS) requirement to file magnetically. If employers meet the IRS requirements but have fewer than 50 employees working in Idaho, the state will accept either paper or magnetic filing. If you meet these requirements but do not file by magnetic media, a penalty may be charged.

You can get Idaho specifications for filing Forms W-2 by calling (208) 334-7787, visiting the Tax Pros page on the Tax Commission's Web site at **tax.idaho.gov**, or contacting the Magnetic Media Coordinator at the address below.

Mail the magnetic media, along with a signed, completed Form 957-W and Form 96-T, Idaho Magnetic Media Transmittal, to:

Magnetic Media Coordinator
Idaho State Tax Commission
PO Box 36
Boise ID 83722-0410

You can find Form 96-T in the Idaho Magnetic Media Specifications booklet, on the Tax Commission's Web site, or by calling (208) 334-7787. If we do not receive a completed Form 96-T, we may return the magnetic media to you and charge a penalty for late filing of the Forms W-2.

Substitute Forms and Instructions

What if I want to develop my own substitute withholding forms?

Go to the Publications page on our Web site at **tax.idaho.gov** and click on Substitute Forms Specifications. The specifications contain all the information you need to create substitute forms and get them approved.

Computing the Amount of Idaho Income Tax Withholding

Percentage Computation Method

Multiply the allowance value for the appropriate payroll period (see *Allowance Value Table* below) by the number of allowances claimed on the Form W-4 and subtract this amount from the employee's wages. Use the result to compute the amount to withhold using the appropriate tables on pages 29-31.

The percentage computation method may be the most useful method to use when programming the withholding table for your computer.

ALLOWANCE VALUE TABLE	
Payroll Period	One Withholding Allowance
Weekly	\$ 62.00
Biweekly	\$ 123.00
Semimonthly	\$ 133.00
Monthly	\$ 267.00
Annual	\$ 3,200.00
Daily/Misc	\$ 12.00 (each day)

Example

An unmarried employee is paid \$586 biweekly and claims two withholding allowances on the W-4. Using the percentage method, compute the withholding as follows:

1. Total wage payment	\$586.00
2. One allowance (from the <i>Allowance Value Table</i> above)	\$123.00
3. Allowances claimed on W-4	<u>x 2</u>
4. Multiply line 2 by line 3	\$246.00
5. Amount subject to withholding (subtract total allowances, line 4, from wages, line 1)	\$340.00
6. Tax to be withheld (tables from pages 29-31) (\$9.00 on \$292.00 + \$3.41 on remaining \$48.00) <i>Remember to round</i>	\$ 12.00

Computing the Amount of Idaho Income Tax Withholding (continued)

Wage Bracket Method

Find the proper table, on pages 34 - 53, for your payroll period and the employee's marital status as shown on his Form W-4. Based on the number of withholding allowances claimed on the W-4 and the amount of wages, find the amount to withhold.

If an employee claims more than 10 allowances, you can still use the tables by:

- Multiplying the number of withholding allowances over 10 by the amount from the *Allowance Value Table* on page 26,
- Subtracting the result from the gross wages to get the adjusted gross wages, and
- Using the adjusted gross wages and column for 10 allowances to determine the withholding amount.

If the wages exceed the amount shown in the last bracket of the table, use the percentage computation method of withholding described on page 26.

Annualized Wage Method

Multiply the wages for the pay period by the number of pay periods in the calendar year. Subtract the withholding allowances listed on page 26 from the gross wages to determine the amount subject to withholding. Use this figure and the annual tables to compute the amount of withholding required. Divide that amount by the number of pay periods in the calendar year. The result will be the amount of withholding for the current pay period.

Example:

A married person is paid \$600 per week and claims four withholding allowances on his Form W-4. Compute the amount of withholding using the following steps:

1. Total annual wages - \$600 x 52 weeks	\$31,200.00
2. One annual allowance (from <i>Allowance Value Table</i>)	\$3,200.00
3. Allowance claimed on W-4 x 4 (\$3,200 x 4)	\$12,800.00
4. Amount subject to withholding (line 1 - line 3)	\$18,400.00
5. Tax from annual table (page 31) (\$474 on \$18,388 + \$.85 on remaining \$12) <i>Remember to round</i>	\$475.00
6. Amount to be withheld each week (\$475 divided by 52) <i>Remember to round</i>	\$ 9.00

Withholding on Bonuses, Commissions, etc.

Supplemental wages are compensation paid to an employee in addition to the employee's regular wages. These include bonuses, commissions, overtime pay, accumulated sick leave, severance pay, expense allowances paid under a nonaccountable plan, payments for nondeductible moving expenses, etc.

The withholding may be computed by either combining the supplemental payment with the regular wages and treating them as a single payment or by withholding 7.8 percent of the payment for Idaho taxes.